BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

EXPERIMENTAL PRESORTED PRIORITY
MAIL RATE CATEGORIES, 2001

Docket No. MC2001–1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS LEVINE TO INTERROGATORY OF
THE ASSOCIATION OF PRIORITY MAIL USERS
(APMU/USPS–T2–1)

The United States Postal Service hereby provides the response of witness Levine

to the following interrogatory of the Association of Priority Mail Users filed on May 1,
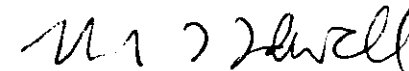
2001: APMU/USPS–T2-1.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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May 11, 2001

APMU/USPS-T2-1.

APMU/USPS-T2-1: At Page 4 of your testimony you state that the piggyback
factors for SPBS Priority and manual Priority, as calculated in the Postal Rate
Commission's Opinion and Recommended Decision, are adjusted because they
are so large that they appear to be anomalous. Please state all underlying
reasons that, in your opinion, cause these piggyback factors to be too large for
your use.

Response:

As a preface to this response, it is useful to point out the basis for the

determination that the piggyback factors for SPBS Priority and manual Priority,

as calculated in the Postal Rate Commission's Opinion and Recommended

Decision, are anomalous. Comparing these two piggyback factors with factors

for similar operations reveals a big disparity. Specifically, comparing SPBS

Priority with SPBS Other and likewise comparing manual Priority with piggyback

factors for "mods 17 1Opref" or "mods 17 1POUCHING" as shown in my

Attachment B, page 3, reveals large disparities.

It is my understanding that the reason for these high factors stems from the large

or "anomalous" piggyback factor (of 2.87196) used by the PRC for the "Not

Used" category. My Attachment B, which shows the calculation of the adjusted

piggyback factors, is a useful reference for this explanation. For instance the

piggyback factor for the cost pool, "mods 13 spbsPrio," of approximately 1.61043

(Response to APMU/USPS-T2-1 continued)

is obtained by taking the weighted average of the operation specific piggyback

factors shown in the row marked "Piggyback Factors" at the bottom of the pages

in Attachment B. These operations, which are listed at the top of each column,

were the basis for calculating operation specific piggyback factors for the pre-

R97-1 rate cases. Starting in R97-1, the Postal Service has taken a weighted

average of these pre-R97-1 factors to get factors by cost pool.[1] The problem

which arises is that while these pre-R97-1 operation specific piggyback factors

cover approximately 95 percent of processing labor, there is no piggyback factor

for the remaining 5% for use in computing the piggyback factors by cost pool.

The category "Not Used" is this remaining 5% of processing labor.

I am informed that the PRC obtains this "anomalous" piggyback factor of 2.87196

for "Not Used", using a calculation method shown in my spreadsheet T2-

ATTB.xls, sheet "misc" cells c4 to c10. I am told that this calculation is the same

method as used by the USPS in its calculations. The issue, as was explained to

me as follows, is that the resulting piggyback factor is inexplicably high. This

piggyback factor is a small contributor to the piggyback factor for most cost

pools. However, the weighting given this factor for the calculation of the factors

(Response to APMU/USPS-T2-1 continued)

for SPBS Priority and manual Priority cost pools is .2888 and .5224 respectively,

as shown in the "Not Used" column of Attachment B. In other words, the SPBS

Priority and manual Priority piggyback factors obtained by the PRC use a 29 and

52 percent, respectively, weighting of the 2.87196 "Not Used" piggyback factor.

As indicated above, the resulting piggyback factors for SPBS Priority and manual

Priority cost pools are too high. I am told that the PRC employs these factors in

a very minor way in their calculations in R2000-1.

My testimony, however, places much reliance on these two piggyback factors.

While the reason for the 2.87196 value has not been investigated further, we

have sought to stay within the general confines of R2000-1 and have substituted

the average piggyback factor for all mail processing, of 1.6057, as obtained by

the PRC.[2] This modification brings the piggyback factors for these two

operations in line with expectations.

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[1] See Docket No. R2000-1, testimony of Marc A. Smith, USPS-T-21, pages 21-26.
[2] See Docket No. R2000-1, PRC-LR-10, spreadsheet "mppigty.xls."
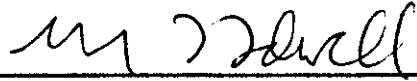
DECLARATION

I, Jonathan Levine, hereby declare, under penalty of perjury, that the foregoing
Postal Rate Commission Docket No. MC2000-1 interrogatory answers are true to the
best of my information, knowledge and belief.

Jonathan Levine

Jonathan Levine

5- 11- 01

Date

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all

participants of record in this proceeding in accordance with section 12 of the Rules of

Practice.

Michael T. Tidwell

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